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**THE OFFICE OF REGULATORY STAFF  
DIRECT TESTIMONY AND EXHIBITS  
OF  
WILLIE J. MORGAN**



**DOCKET NO. 2004-212-S  
DEVELOPMENT SERVICE, INC.  
APPLICATION FOR RATE INCREASE  
TEST YEAR ENDED DECEMBER 31, 2003**

**TESTIMONY OF WILLIE J. MORGAN**

**FOR**

**THE OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2004-212-S**

**IN RE: DEVELOPMENT SERVICE, INC.**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND  
OCCUPATION.**

**A.** My name is Willie J. Morgan, and my business address is 1441 Main Street, Suite 300, Columbia, South Carolina 29201. I am employed by the state of South Carolina, Office of Regulatory Staff (ORS) as the Program Manager for the Water and Wastewater Department.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND  
EXPERIENCE.**

**A.** I received a Bachelor of Science Degree in Engineering from the University of South Carolina in 1985 and a Master of Arts Degree in Management from Webster University in 2000. I am a licensed Professional Engineer registered in the state of South Carolina. After graduation from the University of South Carolina, I was employed by the South Carolina Department of Health and Environmental Control (DHEC) as an Environmental Engineer Associate. Later,

1 I was promoted to the position of Permitting Liaison where I assisted industries  
2 and the public with environmental permitting requirements in the state of South  
3 Carolina. This assistance included providing information about air quality, solid  
4 and hazardous waste management, and water and wastewater management  
5 requirements. I was employed by DHEC for nineteen years. On October 2, 2004,  
6 I joined the Office of Regulatory Staff as the Program Manager for the Water and  
7 Wastewater Department.

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY INVOLVING**  
9 **DEVELOPMENT SERVICE, INC. FOR THIS PROCEEDING?**

10 A. The purpose of my testimony is to set forth my findings and the ORS staff's  
11 findings relative to the determination of the amount of additional operating  
12 revenues that would result from the implementation of the proposed schedules of  
13 rates and charges. Specifically, I will focus on the facility's planned construction  
14 activities, depreciation, and loan obligation.

15 **Q. ARE YOUR FINDINGS AND THE ORS STAFF'S FINDINGS SET FORTH**  
16 **IN YOUR TESTIMONY AND ATTACHED EXHIBITS?**

17 A. Yes.

18 **Q. PLEASE EXPLAIN HOW YOU COMPILED INFORMATION FOR YOUR**  
19 **REVIEW.**

20 A. I used information provided by DSI in its application and conducted on-site visits.  
21 I further consulted with and used information from DHEC, wastewater treatment  
22 facility vendors, the National Association of Regulatory Utility Commissioners  
23 (NARUC), and the Jobs Economic Development Authority (JEDA). Using this

1 information, ORS staff determined the amount of additional operating revenues  
2 that would be produced by the proposed rates. Also, we were able to obtain a  
3 better understanding of DSI's loan agreement, system design structure, and utility  
4 needs.

5 **Q. PLEASE EXPLAIN EXHIBIT WJM-1 OF YOUR REPORT.**

6 A. Exhibit WJM-1, is a schematic summarizing the relationship of the three  
7 wastewater utility companies that are owned by Mr. Keith Parnell and Mr.  
8 Charles K. Parnell. The companies are Development Service, Inc. (DSI), Bush  
9 River Utilities, Inc., and Midlands Utility, Inc. DSI collects wastewater from its  
10 customers and discharges this wastewater to the Bush River Utilities facility.  
11 Bush River Utilities charges DSI for treatment services. DSI, in turn, charges its  
12 customers for wastewater collection. DSI customers include residential and  
13 commercial customers. Bush River Utilities has only commercial customers in  
14 addition to DSI as a wholesale customer. Bush River Utilities collects wastewater  
15 from its commercial customers and DSI. This wastewater is currently treated at a  
16 biological treatment system that is owned and operated by Bush River Utilities.  
17 The discharge from Bush River Utilities discharges into the lower Saluda River.

18 **Q. PLEASE EXPLAIN EXHIBIT WJM-2 OF YOUR REPORT.**

19 A. Exhibit WJM-2, page 1, is the depreciation schedule for the assets obtained or  
20 owned by DSI during the test year, 2003.

21 **Q. PLEASE EXPLAIN THE MAJOR ASSETS ASSOCIATED WITH DSI.**

22 A. DSI's assets include its wastewater collection lines, a pick-up truck, backhoe,  
23 computer, desk, chemical sprayer, and an emergency generator. The truck and the

1 backhoe are used by all three companies. The emergency generator is currently  
2 being used only at the Midlands Utility, Inc. facility in Cayce, South Carolina, as  
3 a back-up power supply source. DSI does not have a need for an emergency  
4 generator since its collection lines do not have a lift station or any other type of  
5 mechanical/electrical device requiring a power source. The chemical sprayer is  
6 being used solely at the Bush River Utilities treatment facility. In a prior Order,  
7 the Commission allowed the DSI utility plant to be depreciated over a 50-year life  
8 period. See Commission Order No. 96-44 (January 19, 1996), Docket No. 94-  
9 727-S – Application of Development Service, Inc. for Approval of an Increase in  
10 Rates and Charges for Sewer Service and Docket No. 94-728-S – Application of  
11 Bush River Utilities, Inc. for Approval of an Increase inn Rates and Charges for  
12 Sewer Service. DSI has proposed to change the Utility Plant depreciation for DSI  
13 to a 20-year life period. ORS recommends that this cost be capitalized and  
14 depreciated over 45 years with an annual 2.22% depreciation rate. We  
15 recommend that the backhoe be capitalized and depreciated over a 12-year period  
16 with an 8.33% annual depreciation rate and that the truck be capitalized and  
17 depreciated over a 6-year period with a 16.6% annual depreciation rate. These  
18 recommendations are based on the conclusions outlined in the Florida Public  
19 Service Commission Water and Wastewater System Regulatory Law.

20 **Q. PLEASE EXPLAIN EXHIBIT WJM-3 OF YOUR REPORT.**

21 A. Exhibit WJM-3, consisting of four pages, sets forth a summary of the service  
22 provided by DSI, the Business Office Compliance Review by ORS, and the  
23 wastewater system inspection by ORS. The Business Office Compliance Review

1 consists of a review of DSI's office management records to determine compliance  
2 with Commission rules and regulations. DSI provides adequate wastewater  
3 collection service to its customers. No observed deficiencies were noted during  
4 the system inspection of DSI. There is neither construction activity being  
5 proposed by DSI at this time nor is there an immediate need for an upgrade or  
6 reconstruction. The Business Office Compliance Review revealed the following  
7 deficiencies:

- 8 1. The bill forms did not identify the rate schedule or a statement to the effect  
9 that the applicable rate schedule will be furnished on request as required by 26  
10 S.C. Code Regs. 103-532.1. (d).
- 11 2. No written policy exists to determine compliance and consistency with  
12 discontinuance of service to customers as required pursuant to 26 S.C. Code  
13 Regs. R.103-503.D.
- 14 3. No complaint records are available as required pursuant to 26 S.C. Code  
15 Regs.103-538. Specifically, DSI did not maintain detailed information to be  
16 able to analyze the utility's procedures and actions.
- 17 4. The bill form lacks an after-hours emergency number as required by 26 S.C.  
18 Code Regs. 103-532.1. (e).
- 19 5. The bond amount is insufficient pursuant to 26 S.C. Code Regs. 103-512.3.1.
- 20 6. The individual surety is incomplete pursuant to 26 S.C. Code Regs. 103-  
21 512.3.3.

22 **Q. PLEASE EXPLAIN EXHIBIT WJM-4 OF YOUR REPORT.**

1 A. Exhibit WJM-4, consisting of one page, is a plant flow schematic of the proposed  
2 upgrade to the Bush River Utilities treatment system. The existing treatment  
3 system is currently having difficulty meeting the limits in its National Pollutant  
4 Discharge Elimination System (NPDES) permit. The new wastewater treatment  
5 system which includes a screening unit, aerobic digester, dual aeration basins,  
6 equalization basin, and a disinfection unit will assist Bush River Utilities in  
7 meeting the NPDES permit limits. The disinfection unit to be installed is an Ultra  
8 Violet (UV) disinfection type system. With this type of disinfection system, it is  
9 imperative that Bush Utilities, Inc. properly maintain the treatment process and  
10 control the level of its total suspended solids (TSS) in its wastewater that pass  
11 through the unit.

12 **Q. PLEASE EXPLAIN EXHIBIT WJM-5 OF YOUR REPORT.**

13 A. Exhibit WJM-5, consisting of 16 pages, is a copy of the loan agreement for  
14 upgrading facilities to meet environmental requirements as required by the  
15 various permits issued to Bush River Utilities, Inc. and Midlands Utility, Inc. The  
16 construction work for the replacement treatment facility at Bush River Utilities is  
17 projected by DSI to cost approximately \$932,000. The remaining portion of the  
18 \$2,021,400 loan is being proposed for construction activities at the Midlands  
19 Utility, Inc. facilities as well as the administrative costs associated with the loan  
20 agreement. No upgrade to the DSI utility is being proposed at this time. The loan  
21 commitment letter identifies DSI as a borrower obligated for one third of the loan  
22 repayment. While DSI will benefit from the upgrade at Bush River Utilities, Inc.,  
23 it will not receive any direct benefit from construction activity at the Midlands

Utility, Inc. facilities located in Fairfield, Lexington, Richland, and Orangeburg counties. In a prior Order, the Commission encouraged DSI, Bush River Utilities, Inc. and Midlands Utility, Inc. to review and explore the possibilities of merging into one company. See Commission Order No. 96-44 (January 19, 1996), Docket No. 94-727-S – Application of Development Service, Inc. for Approval of an Increase in Rates and Charges for Sewer Service and Docket No. 94-728-S – Application of Bush River Utilities, Inc. for Approval of an Increase in Rates and Charges for Sewer Service. DSI in its current application for a rate increase, Docket 2004-212-S, submits that the long term business plan of its owners is to effect a merger of all assets and liabilities of the three corporations into one corporation. To date, ORS has not received any information about a merger that has taken place or any information about the initiation of a merger between the three companies. The merger of the companies would further benefit the customers of all three companies by reducing the total amount of the performance bond as required by S.C. Code Ann. Section 58-5-720 and 26 S.C. Code Regs. 103-512.3.1 and require only one performance bond instead of a performance bond for each company (DSI, Bush River Utilities, Inc. and Midlands Utility, Inc.). Therefore, ORS recommends that any rate increase given to DSI to be conditioned with the requirement that the three companies merge to form one company.

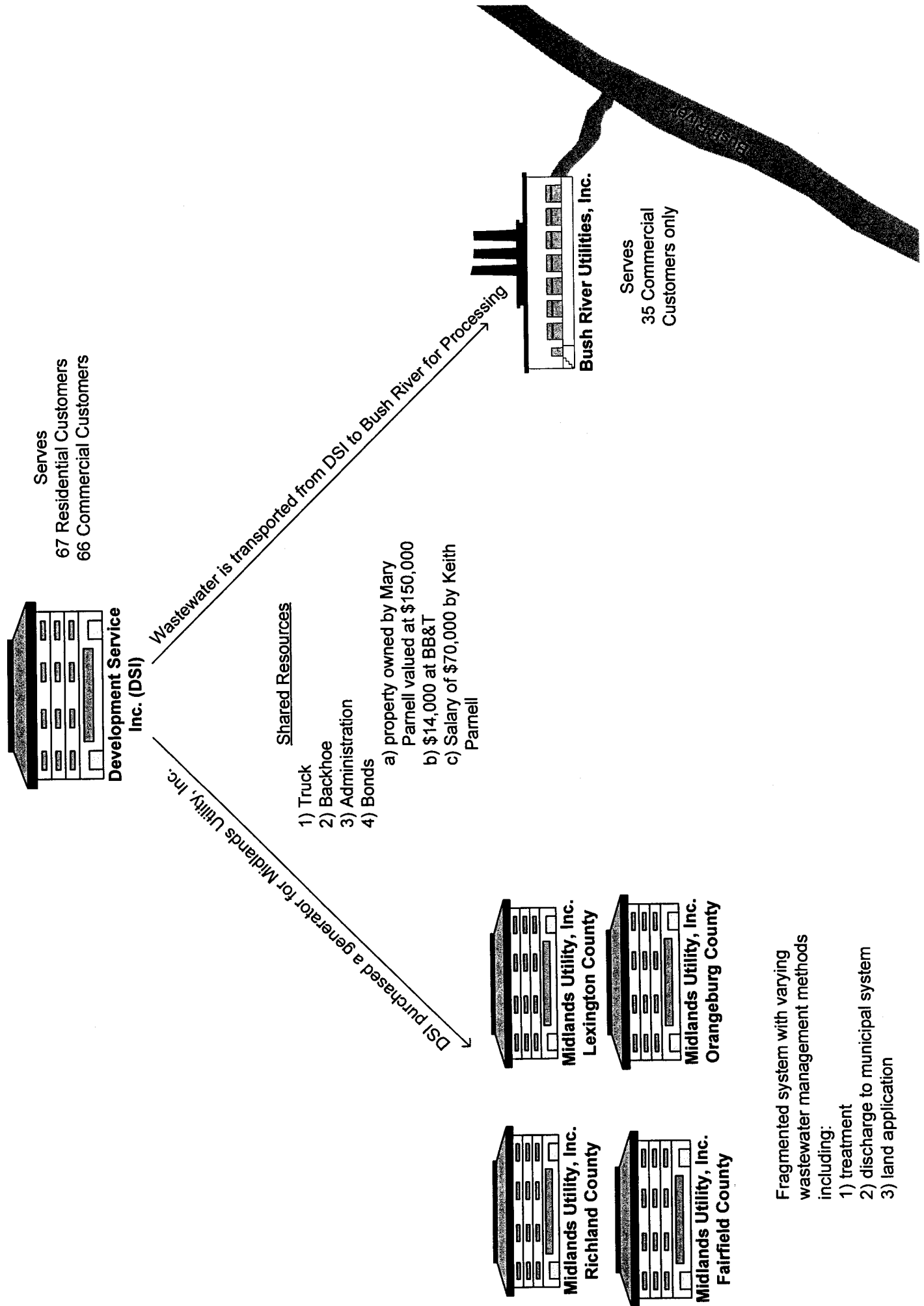
**Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

**A.** Yes it does.

**DIRECT EXHIBITS**  
**OF**  
**WILLIE J. MORGAN**

**DOCKET NO. 2004-212-S**  
**DEVELOPMENT SERVICE, INC.**  
**APPLICATION FOR RATE INCREASE**  
**TEST YEAR ENDED DECEMBER 31, 2003**

# Overview of Company Relationships



**DEVELOPMENT SERVICE, INC.**  
**DEPRECIATION SCHEDULE**  
**FOR TEST YEAR ENDING DECEMBER 31, 2003**

A	B	C	D	E	F	G	H	I
Date Acquired Description	Asset Verification	Service Life			Life #	Rate %	Depreciation Expense	Accumulated Depreciation
		Amount	Used in Last Case	Yrs.				
		\$					\$	\$
Jan-88 Sewer System (FL#361) <sup>1</sup>		120,000		50 years	45	2.22	2,666.67	42,666.67
Oct-03 CAT Generator (FL#355)	Yes	37,000		N/A	20	5.00	1,850.00	1,850.00
Oct-03 CAT Backhoe (FL#395)	Yes	53,550		N/A	12	8.33	4,462.50	4,462.50
Jun-02 Truck (Ford F-250) (FL#391)	Yes	23,249		N/A	6	16.67	3,874.83	7,749.67
Jan-90 Miscellaneous Equipment - Computer	FD	1,500		FD	FD	FD	FD	1,500.00
Totals		235,299	Per Books				12,854.00	58,228.83

FD = Fully Depreciated

G = 100%/F

H = C/F

1. The depreciation expense for the sewer system was based on a 45-year service life period.

A	B	C	D	E	F	G	H	I
Date Acquired Description	Asset Verification	Service Life			Life #	Rate %	Depreciation Expense	Accumulated Depreciation
		Amount	Used in Last Case	Yrs.				
		\$					\$	\$
6/1/2003 Office Desk (FL#390)		300		N/A	15	6.67	20.00	20.00
6/1/2003 Computer (FL#390)		2,000		N/A	6	16.67	333.33	333.33
6/1/2003 Chemical Sprayer (FL#380) - will be allocated to Bush River		580		N/A	12	8.33	48.33	48.33
Totals		2,880	Per Books				401.67	401.67

FD = Fully Depreciated

G = 100%/F

H = C/F

**WATER/WASTEWATER REVIEW OF SERVICE  
PROVIDED BY DEVELOPMENT SERVICE, INC.**

On November 17, 2004 through November 23, 2004, personnel from the Office of Regulatory Staff (ORS) of South Carolina audited Development Service, Inc.'s (DSI) books and operations in preparation for this rate case. DSI operates a wastewater collection system. The collected wastewater is collected and conveyed to the Bush River Utilities, Inc. facility. DSI has 67 residential wastewater customers and 66 commercial wastewater customers in Richland County, South Carolina. The ORS Consumer Services Department has not received any complaints regarding DSI. ORS has not received any inquiry concerning rates.

Since the Notice of Filing was mailed to DSI's customers, the Public Service Commission has not received any Petitions to Intervene or letters of protest. DSI does not have any written procedures concerning management practices and customer service. There are no written procedures on management of delinquent customer accounts. Late fees are waived inconsistently. Commercial customers DSI028, DSI73C, and DSI018, and Residential Customer DSI89 are routinely delinquent.

The following 3 pages are a summary of the Business Office Compliance Review Report and a field inspection of the wastewater system. On November 23, 2004, Staff visited the physical system area and checked compliance with the Commission Rules and Regulations. The Company discharges all of its wastewater to the Bush River Utilities, Inc. facility by gravity. There are no pump/lift stations located on the DSI wastewater system. Also, there are no meters on the DSI system for its influent or effluent.

The Company provides adequate wastewater service, but there are problems with their management.



### BUSINESS OFFICE COMPLIANCE REVIEW

Utility: Development Service, Inc.  
 Inspector: Willie Morgan/Dawn Hipp - Office of Regulatory Staff  
 Office: Development Service, Inc., 816 E. Main St. Lexington, SC 29072  
 Utility Type: Wastewater  
 Date: 11/18/04  
 Company Representative: Gail Oliver/Keith Parnell

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
1	All records and reports available for examination in accordance with Rule R.103-710 and R.103-510.	X		
2	Complaint records maintained in accordance with Rule R. 103-716 and R.103-516		X	Complaint records lack final complaint resolution information (103-516). Complaint records are informal. Recommend written procedure and establishment of complaint log.
3	Utility's rates, its rules and regulations, and its up-to-date maps and plans available for public inspection in accordance with Rule R.103-730 and R.103-530.	X		
4	Established procedures to assure that every customer making a complaint is made aware that the utility is under the jurisdiction of the South Carolina Public Service Commission and that the customer has the right to register the complaint in accordance with Rule R.103-730 and R.103-530.	X		Company informs customers verbally. Recommend posting R.103-530 information near customer service area in office.
5	Deposits charged within the limits established by Rule R.103-731 and R.103-531.	NA	NA	Company does not charge deposits.
6	Timely and accurate bills being rendered to customers in accordance with Rule R.103-733 and R.103-532.	X		Customer billing mailed the 25 <sup>th</sup> of each month.
7	Bill forms in accordance with Rule R.103-732 and R.103-532?		X	Bill form lacks after-hours emergency number (103-532.1.e). Bill form lacks reference to rate schedule (103-532.1.d).
8	Adjustments of bills handled in accordance with Rule R.103-733 and R.103-533	X		Waiver of late fees and reductions in past due balance not documented well. Does not comply with R.103-503.D.

**BUSINESS OFFICE COMPLIANCE REVIEW**

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
9	Policy for customer denial or discontinuance of service in accordance with Rule R.103-735 and R.103-535.	X		Recommend Company create/maintain a written procedure for R.103-535.
10	Notices sent to customers prior to termination in accordance with Rule R.103-735 and R.103-535.	X		Recommend Company terminate service of delinquent customers pursuant to R. 103-535.
11	Notices filed with the Commission of any violation of PSC or DHEC rules which affect service provided to its customers in accordance with rule R.103-714-C and R.103-514-C.	X		
12	Utility has adequate means (telephone, etc.) whereby each customer can contact the water and/or wastewater utility at all hours in case of emergency or unscheduled interruptions or service in accordance with Rule R.103-730 and R.103-530.		X	After-hours emergency number must be on billing form.
13	Records maintained of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with Rule R.103-714 and R.103-514.	X		
14	Utility advised the Commission, in accordance with Rule R.103-712 and R.103-512 of the name, title, address and telephone number of the person who should be contacted in connection with general management duties, customer relations, engineering operations, emergencies during non-office hours.	X		Information on file with PSC.
15	Company verified the maps on file with the Commission include all the service area of the company.	X		Verification on Application. ORS reviews of maps indicate service area is indicated.
16	Number of customers the company has at present time.			132
17	Company has a current performance bond on file with the Commission. Amount of bond: \$10,000.00		X	Bond amount is insufficient pursuant to R. 103-512.3.1. Individual Surety is incomplete pursuant to R.103-512.3.3



### WASTEWATER SYSTEM INSPECTION

Utility Name: **Development Service, Inc.**      Number of Customers: **132**

System Type: **Collection System**      Date Inspected: **11/23/04**

Inspected By: **Willie Morgan/Dawn Hipp - Office of Regulatory Staff**

Company Representative: **Keith Parnell**

Type of Plant: **Collection System**

Extent of Treatment: **Not Applicable**

System Components Inspected	Yes	No
Chlorinator		X
Other Chemicals in Use		X
Aerators		X
Plant fenced and Locked		X
Warning Signs Visible	X	
Holes in Fence		X
Erosion of Dikes		X
Odor		X
Grass Cut	X	
Duck Weed or Algae		X
Grease Build Up		X
Debris inside of Plant		X
Color of Effluent: <b>Not Applicable</b>	NA	NA
Lift Stations: Number <b>Not Applicable</b>		X
Failure Warning System	NA	NA
Electric Wiring Acceptable	NA	NA
Overflows	NA	NA
Condition of Access Road: <b>Good/Bad</b>	Good	
New Construction		X

Frequency Checked by Licensed WWTF Operator: **1/day; 365 days/year**

Location of Utility Office: **816 East Main Street, Lexington, SC 29072**

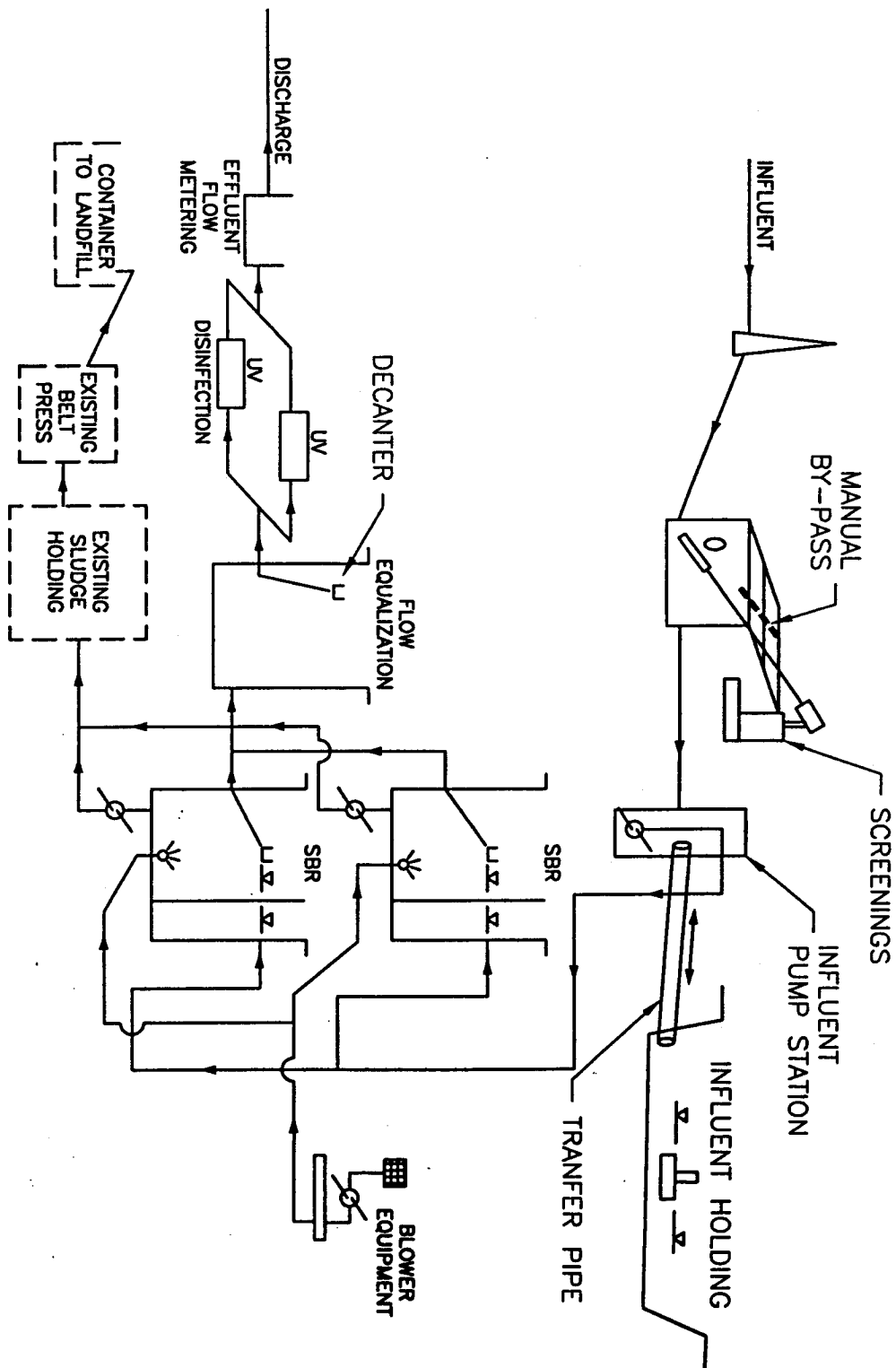
Location of System: **Collection System located in Richland County servicing an area around Dutch Square Shopping Mall, Columbia, SC**

Subdivision provided water by this Utility: **No**

Comments: **This is a collection system only which feeds to Bush River Utilities, Inc. for treatment.**

# **PLANT FLOW SCHEMATIC** **BUSH RIVER WASTEWATER TREATMENT FACILITY**

NOT TO SCALE



MIDLANDS UTILITY WATER & SEWER AUTHORITY			
WASTEWATER TREATMENT PLANT FACILITY UPGRADES			
APPROVED BY:	DATE:	DRAWING NO:	
CKP	051403	01043	
SCALE:	REVISED:		
NONE			

**BB&T**Branch Banking & Trust Co.  
of South Carolina309 Columbia Avenue  
Lexington, SC 29072  
(803) 359-5111  
Fax (803) 359-6683

July 29, 2003

Midlands Utility Inc  
Attn: Keith Parnell**COMMITMENT LETTER**

Dear Keith:

Branch Banking and Trust Company is pleased to offer you the following commitment for a loan. The terms and conditions of this Commitment are as follows:

1. Borrower: Midlands Utility, Bush River Utility, and Development Services Inc.
2. Purpose: The proceeds of the Loan shall be used by the Borrower to construct up to four new wastewater treatment facilities as approved by the Public Service Commission.
3. Collateral: The Loan shall be secured by a first mortgage on the facilities being constructed. The loan shall be secured by all equipment and sewer lines owned by borrower. The loan shall be secured by all ownership stock of the borrowing entities. The bank shall also take an assignment of any contracts with customers for Midlands Utility and related companies.
4. Amount: The maximum principal amount of the Loan shall be \$2,021,400.
5. Advances: The proceeds of the Loan shall be advanced as construction progresses and as rate increases are authorized by the Public Service Commission.
6. Interest Rate: The interest rate on the Loan shall be the variable rate of the bank's prime rate plus .40% (Prime rate is currently 4.00%). At the borrowers discretion, (before closing) they may elect to activate an optional collar, which would grant them an interest rate floor of 4.65% and ceiling of 7.70%. If the client elects to take the optional collars, the loan will therefore have a 1% prepayment penalty. Rate quotes are based on

Commitment Letter to Midlands Utility, Bush River Utility, and Development Corporation  
July 29, 2003

today's rate environment and assuming no substantial changes prior to closing, all efforts will be made to maintain the 305 basis point spread between stated floor and ceiling.

7. Repayment Terms: The loan is to be amortized over 15 years with a 5-year balloon. During the construction period, payments can be interest only for up to 12 months. Renewals for each ensuing 5-year period will be based upon a review of the current financial condition of the company from which ongoing cash flow for debt repayment can be documented.
8. Origination Fee: The bank shall charge an origination fee of \$12,500 to be paid at closing.
9. Prepayment: Bank shall charge a 1% prepayment premium should Borrower choose at any time to prepay part or all of the remaining principal balance due on the Loan. This prepayment penalty is contingent and active only upon acceptance of the interest rate floor and ceiling as stated in paragraph five of this document.
10. Documentation: At Loan closing, the Borrower shall execute a promissory note, Mortgage, Loan Agreement, and other related documents and instruments satisfactory to the Bank to evidence and secure the Loan. BB&T is to have separate legal counsel to ensure all appropriate documentation for debt obligation and lien perfection.
11. Survey and Flood Hazard Certification: Prior to the Loan closing, the Bank shall require the receipt of a satisfactory survey of the Collateral. The surveyor must provide certification that the improvements are not located in a special flood hazard area. The required surveys must evidence that any improvements, existing or to be constructed, are within the property boundary and that all structures remain in compliance with all setback and other requirements.
12. Title Insurance: Prior to the Loan closing, the Bank shall receive a standard mortgagee title insurance binder, and promptly after the Loan closing the Bank shall receive a standard mortgagee title insurance policy covering the mortgage satisfactory to the Bank as to coverage and amount. The binder and policy shall show no exceptions to coverage not acceptable to the Bank.
13. Hazard Insurance: At the Loan closing, the Borrower shall furnish Bank a hazard insurance policy for the replacement cost of the Collateral-naming Bank as mortgagee/loss payee. The insurance company issuing the policy must be acceptable to the Bank.

Commitment Letter to Midland Utility, Bush River Utility, a  
July 29, 2003

14. Appraisal: Prior to loan closing, the bank shall require a complete appraisal on the treatment facilities being erected. This appraisal shall be performed by a certified independent appraiser.
15. Environmental Site Assessment: Prior to the Loan closing, the bank shall require Phase 1 environmental assessments on the wastewater treatment facilities being financed.
16. Inspecting Representative: During construction, the Bank's inspecting representative will inspect the progress of construction.
17. Credit Qualifications: This Commitment is issued in reliance upon the accuracy and completeness of all information furnished by or for the Borrower and any co-signers or guarantors and is subject to the continued accuracy and completeness of all such information. The extension of credit by the Bank pursuant to this Commitment is subject to the condition precedent that the Borrower and any co-signers or guarantors shall after the date hereof maintain a financial condition acceptable to the Bank in its sole discretion. In addition, the Loan is conditioned upon there being no material adverse change which threatens the Borrower's ability to repay the Loan or pledge the Collateral to secure repayment.
18. Financial Information: While the Loan is outstanding, the Borrower shall provide the Bank with quarterly financial statements. Borrower must also provide the bank with annual personal tax returns and company financial statements within 120 days of the Borrower's fiscal year end.
19. Expense: All expenses associated with the Loan are to be paid by the Borrower. These expenses shall include, but are not limited to, the attorney's fees, appraisal fee, surveyor's fee, environmental engineer's fee, and all necessary recording fees. The bank shall allow borrower to use 2.5% (\$50,000) of the total loan proceeds to cover expenses associated with the loan closing.
20. Attorney's Opinion: The Bank shall require an approving legal opinion letter from Borrower's attorney, which must be acceptable to the Bank and Bank's counsel, stating, among others:
  - ... That the documents which evidence and secure the Loan are duly and validly executed and each constitutes a valid and legally binding obligation of the Borrower.
  - ... That the mortgage and other documents create a valid first lien on the interest of the Borrower in the Collateral.

Commitment Letter to Midlands Utility, Bush River Utility  
July 29, 2003

... That the Loan and its terms do not violate any laws including, but not limited to, any usury laws or similar laws of the jurisdiction where the Collateral is located.

... That there are no pending or threatened actions or suits against the Borrower that shall have a material adverse effect on its financial condition, or impair the ability of the Borrower to carry on its business substantially as now conducted.

21. Banking Relationship: The Borrower agrees to maintain its primary depository account(s) with the Bank.
22. Key Man Life insurance: Both partners, Keith and Ken Parnell must maintain insurance policies of \$500,000 each, with BB&T listed as the beneficiary.
23. Personal Guaranty: Both Keith and Ken Parnell must guaranty the debt in full.
24. Documentation of all licenses: Borrower must furnish bank with copies of all operating licenses on the overall business as well as the plants being constructed (upon completion).
25. Documentation of Good standing: Borrower must furnish bank with letters of good standing or other documentation evidencing that Midlands Utility and related, remains in compliance with DHEC and the Public Service Commission.
26. Debt Service Coverage: Borrower must maintain a Debt Service Coverage ratio of at least 1.2. As noted in paragraph five of this document, any loan advances are contingent upon Midlands Utility and or related entities, acquiring authorization for the necessary rate increases to maintain the debt service coverage at the required level.
27. Conflicting Provisions: If any of the provisions of this commitment letter shall be construed to conflict with any terms or provisions contained in the Loan Documents, then the Loan Documents shall take priority.

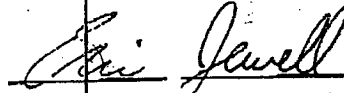
Commitment Letter to Midlands Utility, Bush River Utility,  
July 29, 2003

This Commitment is open for your acceptance until the close of business on August 11<sup>th</sup>, 2003 (the "Expiration Date"), at which time this Commitment expires if not accepted and returned to the Bank. In addition, this Commitment shall expire and the Bank shall not be required to make the Loan if the Loan does not close by November 30<sup>th</sup>, 2003. To acknowledge your acceptance, please return a signed copy of this letter to my attention at the following address on or before the Expiration Date:

Branch Banking and Trust Company  
309 Columbia Avenue  
Lexington, S.C. 29072

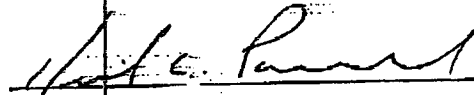
Very truly yours,


BRANCH BANKING AND TRUST COMPANY

By:   
Eric Jewell

Title: Banking Officer  
Phone: (803) 359-1180

The foregoing terms and conditions are hereby accepted and agreed to this 8<sup>th</sup> day  
of August 2003

By:   
Keith Parnell

By:   
Ken Parnell

**BB&T**  
**LOAN AGREEMENT**

Midlands Utility, Inc.  
9521421107

COPY

This Loan Agreement (the "Agreement") is made this 8th day of April, 2004 by and between BRANCH BANKING AND TRUST COMPANY OF SOUTH CAROLINA, a South Carolina banking corporation ("Bank"), and:

Midlands Utility, Inc, a South Carolina corporation ("Borrower"), having its chief executive office at 816 E Main St Lexington SC 29072.

Bush River Utilities, Inc, a South Carolina corporation ("Borrower"), having its chief executive office at 816 E Main St Lexington SC 29072.

Development Service, Inc, a South Carolina corporation ("Borrower"), having its chief executive office at 816 E Main St Lexington SC 29072.

Keith Parnell & Charles K. Parnell (individually "Guarantor" and collectively the "Guarantors").

The Borrower has applied to Bank for and the Bank has agreed to make, subject to the terms of this Agreement, the following loan(s) (hereinafter referred to, singularly or collectively, if more than one, as "Loan"):

**Term Loan ("Term Loan")** in the principal amount of \$2,021,400 for the purpose of constructing up to four new wastewater treatment facilities as approved by the public service commission, which shall be evidenced by the Borrower's Promissory Note dated of even date herewith payable in 18 (eighteen) consecutive monthly interest payments followed by 41 (forty-one) installments of principal and interest and shall bear interest at a rate as described more particularly in such note, the terms of which are incorporated herein by reference. The Term Loan shall mature on 4/08/2009, when the entire unpaid principal balance then outstanding plus accrued interest thereon shall be paid in full. **Prepayment Compensation:** For any prepayment of the Loan the Bank shall be compensated as follows: 1% of the amount of principal prepayment.

**Section 1 Conditions Precedent**

The Bank shall not be obligated to make any disbursement of Loan proceeds until all of the following conditions have been satisfied by proper evidence, execution, and/or delivery to the Bank of the following items in addition to this Agreement, all in form and substance satisfactory to the Bank and the Bank's counsel in their sole discretion:

**Note(s):** The Note(s) evidencing the Loans(s) duly executed by the Borrower.

**Mortgage(s):** The Mortgage(s) of Real Estate in which Borrower, or other owner thereof, shall grant to Bank a mortgage lien on the specified real property and improvements thereon ("Mortgaged Property").

**Title Opinion:** A favorable opinion of title from legal counsel acceptable to the Bank certifying that the Borrower, or other owner thereof, has good and marketable fee simple title to the Mortgaged Property and that the Mortgage(s) granted to the Bank constitutes a first priority lien thereon without exceptions, except as are acceptable to the Bank and the Bank's counsel.

**Survey:** A certified copy of a recent survey of the Mortgaged Property prepared by a registered land surveyor or a civil engineer.

**Environmental Audit Report:** A favorable "Phase I" unedited environmental audit (or comparable examination) covering the Mortgaged Property from an independent environmental engineering firm satisfactory to Bank which reflects that no hazardous waste, toxic substances, or other hazardous materials have contaminated the Mortgaged Property or, if the Mortgaged Property has been so contaminated, that it has been satisfactorily cleaned up in accordance with all Environmental Laws. The Bank shall be fully authorized to discuss all aspects of the audit with the engineering firm.

**Control Agreement:** A Control Agreement pertaining to Deposit Accounts, Letter-of-Credit Rights and/or Electronic Chattel Paper, as required in connection with the Security Agreement(s).

**Authorization and Certificate:** An Authorization and Certificate executed by each Debtor under which such Debtor authorizes Bank to file a UCC Financing Statement describing collateral owned by such Debtor.

**Commitment Fee:** A commitment fee (or balance thereof) of \$12,500 payable to the Bank on the date of execution of the Loan Documents.

**Corporate Resolution:** A Corporate Resolution duly adopted by the Board of Directors of the Borrower authorizing the execution, delivery, and performance of the Loan Documents on or in a form provided by or acceptable to Bank.

**Articles of Incorporation:** A copy of the Articles of Incorporation and all other charter documents of the Borrower, all filed with and certified by the Secretary of State of the State of the Borrower's incorporation.

**By-Laws:** A copy of the By-Laws of the Borrower, certified by the Secretary of the Borrower as to their completeness and accuracy.

**Certificate of Incumbency:** A certificate of the Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign the Loan Documents.

**Certificate of Existence:** A certification of the Secretary of State (or other government authority) of the State of the Borrower's Incorporation or Organization as to the existence or good standing of the Borrower and its charter documents on file.

**Opinion of Counsel:** An opinion of counsel for the Borrower satisfactory to the Bank and the Bank's counsel.

**Guaranty:** Guaranty Agreement(s) duly executed by the Guarantor(s).

**Assignment of Life Insurance Policy(ies):** An assignment of life insurance policy(ies) as collateral on the life of Keith Parnell and Charles K. Parnell in the amount of \$500,000 each by an insurance company acceptable to the Bank.

**Securities Account Pledge and Security Agreement(s):** A Securities Account Pledge and Security Agreement for each pledged securities account maintained with an independent broker or other securities intermediary.

**Securities Account Control Agreement(s):** A Control Agreement for each pledged securities account maintained with an independent broker, or securities intermediary.

**Appraisal(s):** Two (2) copies of an appraisal ordered by the Bank of the estimated market value of the real and/or personal property offered as collateral for the Loan(s) referenced herein. The appraisal(s) must be addressed to the Bank and must conform to the Uniform Standards of Professional Appraisal Practice ("USPAP") adopted by the Appraisal Standards Board of the Appraisal Foundation. Any deviation from the USPAP must be explained in the appraisal(s). The appraiser(s) must be licensed and/or certified if required by applicable Federal Deposit Insurance Corporation regulations or state laws.

**Additional Documents:** Receipt by the Bank of other approvals, opinions, or documents as the Bank may reasonably request. With regard to disbursements for improvements on the 2.36 acreage, "Raintree Track", the issuance of a final title insurance policy without exceptions for unrecorded plats.

The Borrower and Guarantor(s) represent and warrant to Bank that:

**2.01. Financial Statements.** The balance sheet of the Borrower and its subsidiaries, if any, and the related Statements of Income and Retained Earnings of the Borrower and its subsidiaries, the accompanying footnotes together with the accountant's opinion thereon, and all other financial information previously furnished to the Bank, are true and correct and fairly reflect the financial condition of the Borrower and its subsidiaries as of the dates thereof, including all contingent liabilities of every type, and the financial condition of the Borrower and its subsidiaries as stated

## LOAN AGREEMENT

therein has not changed materially and adversely since the date thereof. Each Guarantor further represents and warrants that all financial statements provided by such Guarantor to Bank concerning such Guarantor's financial condition are true and correct and fairly represent such Guarantor's financial condition as of the dates thereof.

**2.02. Name, Capacity and Standing.** The Borrower's exact legal name is correctly stated in the initial paragraph of the Agreement. If the Borrower and/or any Guarantor is a corporation, general partnership, limited partnership, limited liability partnership, or limited liability company, each warrants and represents that it is duly organized and validly existing under the laws of its respective state of incorporation or organization; that it and/or its subsidiaries, if any, are duly qualified and in good standing in every other state in which the nature of their business shall require such qualification, and are each duly authorized by their board of directors, general partners or member/manager(s), respectively, to enter into and perform the obligations under the Loan Documents.

**2.03. No Violation of Other Agreements.** The execution of the Loan Documents, and the performance by the Borrower, by any and all pledgors (whether the Borrower or other owners of collateral property securing payment of the Loan (hereinafter sometimes referred to as the "Pledgor")) or by the Guarantor(s) thereunder will not violate any provision, as applicable, of its articles of incorporation, by-laws, articles of organization, operating agreement, agreement of partnership, limited partnership or limited liability partnership, or, of any law, other agreement, indenture, note, or other instrument binding upon the Borrower, Pledgor or Guarantor(s), or give cause for the acceleration of any of the respective obligations of the Borrower or Guarantor(s).

**2.04. Authority.** All authority from and approval by any federal, state, or local governmental body, commission or agency necessary to the making, validity, or enforceability of this Agreement and the other Loan Documents has been obtained.

**2.05. Asset Ownership.** The Borrower and each Guarantor have good and marketable title to all of the properties and assets reflected on the balance sheets and financial statements furnished to the Bank, and all such properties and assets are free and clear of mortgages, deeds of trust, pledges, liens, and all other encumbrances except as otherwise disclosed by such financial statements. In addition, each other owner of collateral has good and marketable title to such collateral, free and clear of any liens, security interests and encumbrances, except as otherwise disclosed to Bank.

**2.06. Discharge of Liens and Taxes.** The Borrower and its subsidiaries, if any, and each Guarantor have filed, paid, and/or discharged all taxes or other claims which may become a lien on any of their respective properties or assets, excepting to the extent that such items are being appropriately contested in good faith and for which an adequate reserve (in an amount acceptable to Bank) for the payment thereof is being maintained.

**2.07. Regulation U.** None of the Loan proceeds shall be used directly or indirectly for the purpose of purchasing or carrying any margin stock in violation of the provisions of Regulation U of the Board of Governors of the Federal Reserve System.

**2.08. ERISA.** Each employee benefit plan, as defined by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), maintained by the Borrower or by any subsidiary of the Borrower or Guarantor(s) meets, as of the date hereof, the minimum funding standards of Section 302 of ERISA, all applicable requirements of ERISA and of the Internal Revenue Code of 1986, as amended, and no "Reportable Event" nor "Prohibited Transaction" (as defined by ERISA) has occurred with respect to any such plan.

**2.09. Litigation.** There is no claim, action, suit or proceeding pending, threatened or reasonably anticipated before any court, commission, administrative agency, whether State or Federal, or arbitration which will materially adversely affect the financial condition, operations, properties, or business of the Borrower or its subsidiaries, if any, or the Guarantor(s), or the ability of the Borrower or the Guarantor(s) to perform their obligations under the Loan Documents.

**2.10. Other Agreements.** The representations and warranties made by Borrower to Bank in the other Loan Documents are true and correct in all respects on the date hereof.

**2.11. Binding and Enforceable.** The Loan Documents, when executed, shall constitute valid and binding obligations of the Borrower and Guarantors respectively, the execution of such Loan Documents has been duly authorized by the parties thereto, and are enforceable in accordance with their terms, except as may be limited by bankruptcy, insolvency, moratorium, or similar laws affecting creditors' rights generally.

**2.12. Commercial Purpose.** The Loan(s) are not "consumer transactions", as defined in the South Carolina Uniform Commercial Code, and none of the collateral was or will be purchased or held primarily for personal, family or household purposes.

## Section 3 Affirmative Covenants

The Borrower covenants and agrees that from the date hereof and until payment in full of all indebtedness and performance of all obligations owed under the Loan Documents, Borrower shall:

**3.01. Maintain Existence and Current Legal Form of Business.** (a) Maintain its existence and good standing in the state of its incorporation or organization, (b) maintain its current legal form of business indicated above, and, (c) as applicable, qualify and remain qualified as a foreign corporation, general partnership, limited partnership, limited liability partnership or limited liability company in each jurisdiction in which such qualification is required.

**3.02. Maintain Records.** Keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied, reflecting all financial transactions of the Borrower.

**3.03. Maintain Properties.** Maintain, keep, and preserve all of its properties (tangible and intangible) including the collateral necessary or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.

**3.04. Conduct of Business.** Continue to engage in an efficient, prudent, and economical manner in a business of the same general type as now conducted.

**3.05. Maintain Insurance.** Maintain insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as are usually carried by companies engaged in the same or a similar business, and business interruption insurance if required by Bank, which insurance may provide for reasonable deductible(s). The Bank shall be named as loss payee (Long Form) on all policies which apply to the Bank's collateral, and the Borrower shall deliver certificates of insurance at closing evidencing same. All such insurance policies shall provide, and the certificates shall state, that no policy will be terminated without 20 days prior written notice to Bank.

**3.06. Comply With Laws.** Comply in all respects with all applicable laws, rules, regulations, and orders including, without limitation, paying before the delinquency of all taxes, assessments, and governmental charges imposed upon it or upon its property, and all Environmental Laws.

**3.07. Right of Inspection.** Permit the officers and authorized agents of the Bank, at any reasonable time or times in the Bank's sole discretion, to examine and make copies of the records and books of account of, to visit the properties of the Borrower, and to discuss such matters with any officers, directors, managers, members or partners, limited or general of the Borrower, and the Borrower's independent accountant as the Bank deems necessary and proper.

**3.08. Reporting Requirements.** Furnish to the Bank:

**Quarterly Financial Statements:** As soon as available and not more than 60 (sixty) days after the end of each quarter, balance sheets, statements of income, cash flow, and retained earnings for the period ended and a statement of changes in the financial position, all in reasonable detail, and all prepared in accordance with GAAP consistently applied and certified as true and correct by an officer, general partner or manager (or member(s)) of the Borrower, as appropriate.

**Annual Financial Statements:** As soon as available and not more than 120 (one hundred and twenty) days after the end of each fiscal year, balance sheets, statements of income, and retained earnings for the period ended and a statement of changes in the financial position, all in reasonable detail, and all prepared in accordance with GAAP consistently applied.

**Notice of Litigation:** Promptly after the receipt by the Borrower, or by any Guarantor of which Borrower has knowledge, of notice or complaint of any action, suit, and proceeding before any court or administrative agency of any type which, if determined adversely, could have a material adverse effect on the financial condition, properties, or operations of the Borrower or Guarantor, as appropriate.

**BB&T**  
**LOAN AGREEMENT**

**Tax Returns:** As soon as available each year, complete copies (including all schedules) of all state and federal tax returns filed by Borrower.

**Notice of Default:** Promptly upon discovery or knowledge thereof, notice of the existence of any event of default under this Agreement or any other Loan Documents.

**Other Information:** Such other information as the Bank may from time to time reasonably request.

3.09. **Deposit Accounts.** Maintain substantially all of its demand deposit/operating accounts with the Bank.

3.10. **Affirmative Covenants from other Loan Documents.** All affirmative covenants contained in any Mortgage, Security Agreement, Assignment of Leases and Rents, or other security document executed by the Borrower which are described in paragraph 2 hereof are hereby incorporated by reference herein.

**Section 4 Guarantor(s) Covenants**

Each Guarantor covenants and agrees that from the date hereof and until payment in full of all indebtedness and performance of all obligations owed under the Loan Documents, Guarantor shall:

4.01. **Maintain Existence and Current Legal Form of Business.** If Guarantor is a corporation, partnership, limited partnership, limited liability partnership or limited liability company, (a) maintain its existence and good standing in the state of its incorporation or organization, (b) maintain its current legal form of business as shown on the guaranty agreement provided by Guarantor to Bank in connection with the Loan, and (c) without the Bank's prior written consent, change Guarantor's name, or enter into any merger, consolidation, reorganization or exchange of stock, ownership interests or assets, and (d) as applicable, qualify and remain qualified as a foreign corporation, general partnership, limited partnership, limited liability partnership or limited liability company in each jurisdiction in which such qualification is required.

4.02. **Maintain Properties.** Not, without the prior written consent of Bank, sell, transfer or otherwise dispose of all or substantially all of Guarantor's properties (tangible and intangible), except in the ordinary course of business.

4.03. **Comply With Laws.** Comply in all respects with all applicable laws, rules, regulations, and orders including, without limitation, paying before the delinquency of all taxes, assessments, and governmental charges imposed or assessed upon Guarantor or upon Guarantor's property, and all Environmental Laws.

4.04. **Reporting Requirements.** Furnish to the Bank:

**Annual Financial Statement(s):** If Guarantor is an individual, a personal financial statement promptly after the anniversary date of the Loan, on form provided by the Bank and in such reasonable detail as the Bank may require; or, if Guarantor is a corporation, general partnership, limited partnership, limited liability partnership or limited liability company, as soon as available and not more than 120 (one hundred and twenty) days after the end of each fiscal year of Guarantor, balance sheets, statements of income, and retained earnings for the period ended and a statement of changes in financial position, on form(s) to be provided by the Bank, all in reasonable detail, and all prepared in accordance with GAAP consistently applied.

**Notice of Litigation:** Promptly after the receipt by Guarantor, or by Borrower of which Guarantor has knowledge, of notice of any action, suit, and proceeding before any court or governmental agency of any type which, if determined adversely, could have a material adverse effect on the financial condition, properties, or operations of the Guarantor or Borrower, as appropriate.

4.05. **Transfer of Ownership.** Not, without the prior written consent of the Bank: If Guarantor is a corporation, (a) issue, transfer or sell any new class of stock, or (b) issue, transfer or sell, in the aggregate, from its treasury stock and/or currently authorized but unissued shares of any class of stock, more than 10% of the total number of all such issued and outstanding shares as of the date of this Agreement; or, if Borrower is a general partnership, limited partnership, limited liability partnership or limited liability company, issue, transfer or sell any interest in Borrower.

4.06. **Tax Returns:** As soon as available each year, furnish complete copies (including all schedules) of all state and federal tax returns filed by Guarantor.

4.07. **Other Information:** Furnish such other information as the Bank may from time to time reasonably request.

**Section 5 Financial Covenants**

The Borrower covenants and agrees that from the date hereof until payment in full of all indebtedness and the performance of all obligations under the Loan Documents, the Borrower shall at all times maintain the following financial covenants and ratios all in accordance with GAAP unless otherwise specified:

5.01. **Debt Service Coverage.** Borrower must maintain a Debt Service Coverage ratio of at least 1.20.

5.02. **Advances Proceeds from the loan designated for improvements** shall only be advanced after the Borrower has obtained approval for the rate increase from the Public Service Commission, that will allow the Borrower's income to support the debt at the required coverage rate (1.20) as stated above in section 5.01.

**Section 6 Negative Covenants**

The Borrower covenants and agrees that from the date hereof and until payment in full of all indebtedness and performance of all obligations under the Loan Documents, the Borrower shall not, without the prior written consent of the Bank:

6.01. **Liens.** Create, incur, assume, or suffer to exist any lien upon or with respect to any of Borrower's properties, or the properties of any Pledgor securing payment of the Loan, now owned or hereafter acquired, except:

- (a) Liens and security interests in favor of the Bank;
- (b) Liens for taxes not yet due and payable or otherwise being contested in good faith and for which appropriate reserves are maintained;
- (c) Other liens imposed by law not yet due and payable, or otherwise being contested in good faith and for which appropriate reserves are maintained;
- (d) Liens on N/A securing an obligation to N/A not to exceed \$ N/A, or described on Schedule "N/A" attached hereto;
- (e) purchase money security interests on any property hereafter acquired, provided that such lien shall attach only to the property acquired.

6.02. **Debt.** Create, incur, assume, or suffer to exist any debt, except:

- (a) Debt to the Bank;
- (b) Debt outstanding on the date hereof and shown on the most recent financial statements submitted to the Bank;
- (c) Accounts payable to trade creditors incurred in the ordinary course of business;
- (d) Debt secured by purchase money security interests as outlined above in Section 6.01 (e);
- (e) Additional debt not to exceed \$ N/A in the aggregate at any time.

6.03. **Capital Expenditures.** Expenditures for fixed assets in any fiscal year shall not exceed in the aggregate the sum of \$ N/A.

6.04. **Change of Legal Form of Business; Purchase of Assets.** Change Borrower's name or the legal form of Borrower's business as shown above, whether by merger, consolidation, conversion or otherwise, and Borrower shall not purchase all or substantially all of the assets or business of any Person.

6.05. **Leases.** Create, incur, assume, or suffer to exist any leases, except:

- (a) Leases outstanding on the date hereof and showing on the most recent financial statement submitted to the Bank;
- (b) Operating Leases for machinery and equipment which do not in the aggregate require payments in excess of \$ N/A in any fiscal year of the Borrower.

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## LOAN AGREEMENT

- 6.06. **Dividends or Distributions; Acquisition of Capital Stock or Other Ownership Interests.** Declare or pay any dividends or distributions of any kind, or purchase or redeem, retire, or otherwise acquire any of Borrower's capital stock or other ownership interests, now or hereafter outstanding, in excess of \$ N/A in any fiscal year of the Borrower.
- 6.07. **Salaries.** Salaries and any other cash compensation to owners/officers/partners/managers shall be limited as follows: N/A.
- 6.08. **Guaranties.** Assume, guarantee, endorse, or otherwise be or become directly or contingently liable for obligations of any Person, except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.
- 6.09. **Loans.** Loans to directors, officers, partners, members, shareholders, subsidiaries and affiliates shall be limited as follows: N/A.
- 6.10. **Disposition of Assets.** Sell, lease, or otherwise dispose of any of its assets or properties except in the ordinary and usual course of its business.
- 6.11. **Transfer of Ownership.** If Borrower is a corporation, (a) issue, transfer or sell any new class of stock, or (b) issue, transfer or sell, in the aggregate, from its treasury stock and/or currently authorized but unissued shares of any class of stock, more than 10% of the total number of all such issued and outstanding shares as of the date of this Agreement. If Borrower is a general partnership, limited partnership, limited liability partnership or limited liability company, issue, transfer or sell any interest in Borrower.
- 6.12. **Negative Covenants from other Loan Documents.** All negative covenants contained in any Deed of Trust, Security Agreement, Assignment of Leases or Rents, or other security document executed by the Borrower which are described in paragraph 2 hereof are hereby incorporated by reference herein.
- 6.13.

### Section 7 Hazardous Materials and Compliance with Environmental Laws

7.01. **Investigation.** Borrower hereby certifies that it has exercised due diligence to ascertain whether its real property, including without limitation the Mortgaged Property, is or has been affected by the presence of asbestos, oil, petroleum or other hydrocarbons, urea formaldehyde, PCBs, hazardous or nuclear waste, toxic chemicals and substances, or other hazardous materials (collectively, "Hazardous Materials"), as defined in applicable Environmental Laws. Borrower represents and warrants that there are no such Hazardous Materials contaminating its real property, nor have any such materials been released on or stored on or improperly disposed of on its real property during its ownership, occupancy or operation thereof. Borrower hereby agrees that, except in strict compliance with applicable Environmental Laws, it shall not knowingly permit any release, storage or contamination as long as any indebtedness or obligations to Bank under the Loan Documents remains unpaid or unfulfilled. In addition, Borrower does not have or use any underground storage tanks on any of its real property, including the Mortgaged Property which are not registered with the appropriate Federal and/or State agencies and which are not properly equipped and maintained in accordance with all Environmental Laws. If requested by Bank, Borrower shall provide Bank with all necessary and reasonable assistance required for purposes of determining the existence of Hazardous Materials on the Mortgaged Property, including allowing Bank access to the Mortgaged Property, and access to Borrower's employees having knowledge of, and to files and records within Borrower's control relating to the existence, storage, or release of Hazardous Materials on the Mortgaged Property.

7.02. **Compliance.** Borrower agrees to comply with all applicable Environmental Laws, including, without limitation, all those relating to Hazardous Materials. Borrower further agrees to provide Bank, and all appropriate Federal and State authorities, with immediate notice in writing of any release of Hazardous Materials on the Mortgaged Property and to pursue diligently to completion all appropriate and/or required remedial action in the event of such release.

7.03. **Remedial Action.** Bank shall have the right, but not the obligation, to undertake all or any part of such remedial action in the event of a release of Hazardous Materials on the Mortgaged Property and to add any expenditures so made to the principal indebtedness secured by the Mortgage. Borrower agrees to indemnify and hold Bank harmless from any and all loss or liability arising out of any violation of the representations, covenants, and obligations contained in this Section 7, or resulting from the recording of the Mortgage.

### Section 8 Events of Default

The following shall be "Events of Default" by Borrower or any Guarantor:

- 8.01. The failure to make prompt payment of any installment of principal or interest on any of the Note(s) when due or payable.
- 8.02. Should any representation or warranty made in the Loan Documents prove to be false or misleading in any material respect.
- 8.03. Should any report, certificate, financial statement, or other document furnished prior to the execution of or pursuant to the terms of this Agreement prove to be false or misleading in any material respect.
- 8.04. Should the Borrower, any Guarantor default on the performance of any other obligation of indebtedness when due or in the performance of any obligation incurred in connection with money borrowed.
- 8.05. Should the Borrower, any Guarantor or any Pledgor breach any covenant, condition, or agreement made under any of the Loan Documents.
- 8.06. Should a custodian be appointed for or take possession of any or all of the assets of the Borrower or any Guarantor, or should the Borrower or any Guarantor either voluntarily or involuntarily become subject to any insolvency proceeding, including becoming a debtor under the United States Bankruptcy Code, any proceeding to dissolve the Borrower or any Guarantor, any proceeding to have a receiver appointed, or should the Borrower or any Guarantor make an assignment for the benefit of creditors, or should there be an attachment, execution, or other judicial seizure of all or any portion of the Borrower's or any Guarantor's assets, including an action or proceeding to seize any funds on deposit with the Bank, and such seizure is not discharged within 30 days.
- 8.07. Should final judgment for the payment of money be rendered against the Borrower or any Guarantor which is not covered by insurance and shall remain undischarged for a period of 30 days unless such judgment or execution thereon be effectively stayed.
- 8.08. Upon the death of, or termination of existence of, or dissolution of, any Borrower, Pledgor or Guarantor.
- 8.09. Should the Bank in good faith deem itself, its liens and security interests, if any, or any debt thereunder unsafe or insecure, or should the Bank believe in good faith that the prospect of payment of any debt or other performance by the Borrower or any Guarantor is impaired.
- 8.10. Should any lien or security interest granted to Bank to secure payment of the Note(s) terminate, fail for any reason to have the priority agreed to by Bank on the date granted, or become unperfected or invalid for any reason.
- 8.11..

### Section 9 Remedies Upon Default

Upon the occurrence of any of the above listed Events of Default, the Bank may at any time thereafter, at its option, take any or all of the following actions, at the same or at different times:

- 9.01. Declare the balance(s) of the Note(s) to be immediately due and payable, both as to principal and interest, without presentment, demand, protest, or notice of any kind, all of which are hereby expressly waived by Borrower and, each Guarantor, and such balance(s) shall accrue interest at the Default Rate as provided herein until paid in full;
- 9.02. Require the Borrower or Guarantor(s) to pledge additional collateral to the Bank from the Borrower's or any Guarantor's assets and properties, the acceptability and sufficiency of such collateral to be determined in the Bank's sole discretion;
- 9.03. Take immediate possession of and foreclose upon any or all collateral which may be granted to the Bank as security for the indebtedness and obligations of Borrower or any Guarantor under the Loan Documents;
- 9.04. Exercise any and all other rights and remedies available to the Bank under the terms of the Loan Documents and applicable law, including the South Carolina Uniform Commercial Code;

## LOAN AGREEMENT

9.05. Any obligation of the Bank to advance funds to the Borrower or any other Person under the terms of under the Note(s) and all other obligations, if any, of the Bank under the Loan Documents shall immediately cease and terminate unless and until Bank shall reinstate such obligation in writing.

## Section 10 Miscellaneous Provisions

## 10.01. Definitions.

"Availability" shall mean the lesser of (i) \$ N/A or (ii) the Collateral Loan Value shown on the Loan Base Report furnished by Borrower to Bank on or before the N/A day of each N/A as long as this Agreement shall remain in force. The percentages of acceptable collateral, as defined by Bank, which will be used to determine the Collateral Loan Value, shall be the following (unless otherwise set forth in Schedule DD and/or DD-IFA hereto): Eligible Inventory - N/A %; Eligible Accounts - N/A %; Insured Foreign Accounts - N/A %.

"Default Rate" shall mean a rate of interest equal to Bank's Prime Rate plus five percent (5%) per annum (not to exceed the legal maximum rate) from and after the date of an Event of Default hereunder which shall apply, in the Bank's sole discretion, to all sums owing, including principal and interest, on such date.

"Environmental Laws" shall mean all federal and state laws and regulations which affect or may affect the Mortgaged Property, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. Sections 9601 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. Sections 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. Sections 1251 et seq.), the Clean Air Act (42 U.S.C. Section 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), the Pollution Control Act (1976 S.C. Code 48-1-10 et seq.), the Erosion and Sediment Reduction Act of 1983 (1976 S.C. Code 48-18-10 et seq.), the South Carolina Mining Act (1976 S.C. Code 48-19-10 et seq.), as such laws or regulations have been amended or may be amended.

"Loan Documents" shall mean this Agreement including any schedule attached hereto, the Note(s), the Deed(s) of Trust, the Mortgage(s), the Security Agreement(s), the Assignment(s) of Leases and Rents, all UCC Financing Statements, the Guaranty Agreement(s), and all other documents, certificates, and instruments executed in connection therewith, and all renewals, extensions, modifications, substitutions, and replacements thereto and therefore.

"Person" shall mean an individual, partnership, corporation, trust, unincorporated organization, limited liability company, limited liability partnership, association, joint venture, or a government agency or political subdivision thereof.

"GAAP" shall mean generally accepted accounting principles as established by the Financial Accounting Standards Board or the American Institute of Certified Public Accountants, as amended and supplemented from time to time.

"Prime Rate" shall mean the rate of interest per annum announced by the Bank from time to time and adopted as its Prime Rate, which is one of several rate indexes employed by the Bank when extending credit, and may not necessarily be the Bank's lowest lending rate.

10.02. **Non-impairment.** If any one or more provisions contained in the Loan Documents shall be held invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained therein shall not in any way be affected or impaired thereby and shall otherwise remain in full force and effect.

10.03. **Applicable Law.** The Loan Documents shall be construed in accordance with and governed by the laws of the State of South Carolina.

10.04. **Waiver.** Neither the failure or any delay on the part of the Bank in exercising any right, power or privilege granted in the Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise of any other right, power, or privilege which may be provided by law.

10.05. **Modification.** No modification, amendment, or waiver of any provision of any of the Loan Documents shall be effective unless in writing and signed by the Borrower and Bank.

10.06. **Payment Amount Adjustment.** In the event that any Loan(s) referenced herein has a variable (floating) interest rate and the interest rate increases, Bank, at its sole discretion, may at any time adjust the Borrower's payment amount(s) to prevent the amount of interest accrued in a given period to exceed the periodic payment amount or to cause the Loan(s) to be repaid within the same period of time as originally agreed upon.

10.07. **Stamps and Fees.** The Borrower shall pay all federal or state stamps, taxes, or other fees or charges, if any are payable or are determined to be payable by reason of the execution, delivery, or issuance of the Loan Documents or any security granted to the Bank; and the Borrower and Guarantor agree to indemnify and hold harmless the Bank against any and all liability in respect thereof.

10.08. **Attorneys' Fees.** In the event the Borrower or any Pledgor or Guarantor shall default in any of its obligations hereunder and the Bank believes it necessary to employ an attorney to assist in the enforcement or collection of the indebtedness of the Borrower to the Bank, to enforce the terms and provisions of the Loan Documents, to modify the Loan Documents, or in the event the Bank voluntarily or otherwise should become a party to any suit or legal proceeding (including a proceeding conducted under the Bankruptcy Code), the Borrower and Guarantors agree to pay the reasonable attorneys' fees of the Bank and all related costs of collection or enforcement that may be incurred by the Bank. The Borrower and Guarantor shall be liable for such attorneys' fees and costs whether or not any suit or proceeding is actually commenced.

10.09. **Bank Making Required Payments.** In the event Borrower shall fail to maintain insurance, pay taxes or assessments, costs and expenses which Borrower is, under any of the terms hereof or of any Loan Documents, required to pay, or fail to keep any of the properties and assets constituting collateral free from new security interests, liens, or encumbrances, except as permitted herein, Bank may at its election make expenditures for any or all such purposes and the amounts expended together with interest thereon at the Default Rate, shall become immediately due and payable to Bank, and shall have benefit of and be secured by the collateral; provided, however, the Bank shall be under no duty or obligation to make any such payments or expenditures.

10.10. **Right of Offset.** Any indebtedness owing from Bank to Borrower may be set off and applied by Bank on any indebtedness or liability of Borrower to Bank, at any time and from time to time after maturity, whether by acceleration or otherwise, and without demand or notice to Borrower. Bank may sell participations in or make assignments of any Loan made under this Agreement, and Borrower agrees that any such participant or assignee shall have the same right of setoff as is granted to the Bank herein.

10.11. **UCC Authorization.** Borrower authorizes Bank to file such UCC Financing Statements describing the collateral in any location deemed necessary and appropriate by Bank.

10.12. **Modification and Renewal Fees.** Bank may, at its option, charge any fees for modification, renewal, extension, or amendment of any terms of the Note(s) permitted by law.

10.13. **Conflicting Provisions.** If provisions of this Agreement shall conflict with any terms or provisions of any of the Note(s) or Security Agreement(s), the provisions of such Note(s) or Security Agreement(s), as appropriate, shall take priority over any provisions in this Agreement.

10.14. **Notices.** Any notice permitted or required by the provisions of this Agreement shall be deemed to have been given when delivered in writing to the City Executive or any Vice President of the Bank at its offices in Lexington, South Carolina, and to the President of the Borrower at its offices in Lexington, South Carolina when sent by certified mail and return receipt requested.

10.15. **Consent to Jurisdiction.** Borrower hereby irrevocably agrees that any legal action or proceeding arising out of or relating to this Agreement may be instituted in the Superior Court in Greenville County, South Carolina, or the United States District Court for South Carolina Greenville Division, or in such other appropriate court and venue as Bank may choose in its sole discretion. Borrower consents to the jurisdiction of such courts and waives any objection relating to the basis for personal or in rem jurisdiction or to venue which Borrower may now or hereafter have in any such legal action or proceedings.

10.16. **Counterparts.** This Agreement may be executed by one or more parties on any number of separate counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

10.17. **Entire Agreement.** The Loan Documents embody the entire agreement between Borrower and Bank with respect to the Loans, and there are no oral or parol agreements existing between Bank and Borrower with respect to the Loans which are not expressly set forth in the Loan Documents.

**[SIGNATURES ON FOLLOWING PAGE]**

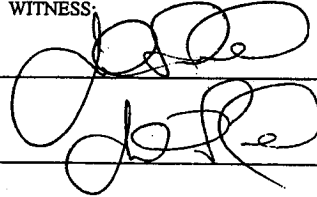
**BB&T**  
**LOAN AGREEMENT**

**SIGNATURE PAGE**

IN WITNESS WHEREOF, the Bank, Borrower and Guarantor(s) have caused this Agreement to be duly executed under seal all as of the date first above written.

**Borrower is a Corporation:**

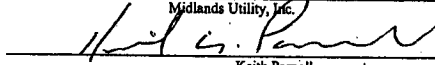
WITNESS:



Borrower's Name

Midlands Utility, Inc.

By:

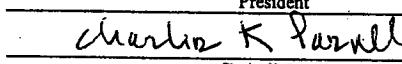


Keith Parnell

Title:

President

By:



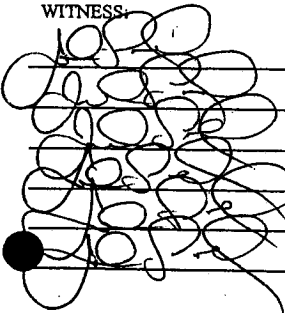
Charles K. Parnell

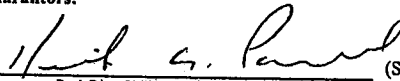
Title:

Vice-President

**Additional Co-Borrowers or Guarantors:**

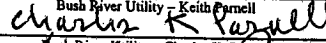
WITNESS:





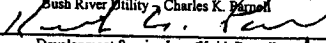
(SEAL)

Bush River Utility - Keith Parnell



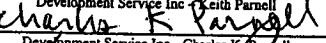
(SEAL)

Bush River Utility - Charles K. Parnell



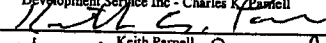
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Development Service Inc - Keith Parnell



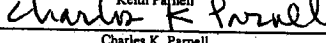
(SEAL)

Development Service Inc - Charles K. Parnell



(SEAL)

Keith Parnell



(SEAL)

Charles K. Parnell

WITNESS:



**BRANCH BANKING AND TRUST COMPANY  
OF SOUTH CAROLINA**

By:



Eric Jewell

Title:

Banking Officer

EXHIB  
PA

Borrower: MIDLANDS UTILITY, INC. BUSH RIVER UTILITIES, INC and DEVELOPMENT SERVICE.  
Account Number: 9521421107  
Address: 816 EAST MAIN STREET  
LEXINGTON, SC 29072-0000

**BB&T**

Note Number: 0000  
LEXINGTON  
of South Carolina Date: April 8, 2004

GUPU

**PROMISSORY NOTE**

BORROWER(S) REPRESENTS HERewith THAT THE LOAN EVIDENCED HEREBY IS BEING OBTAINED FOR BUSINESS/COMMERCIAL PURPOSES. For value received, the undersigned, jointly and severally, if more than one, promises to pay to **BRANCH BANKING AND TRUST COMPANY OF SOUTH CAROLINA**, a South Carolina banking corporation (the "Bank"), or order, at said Bank at any of its offices in the above referenced city (or such other place or places that may be hereafter designated by Bank), the sum of

TWO MILLION TWENTY-ONE THOUSAND FOUR HUNDRED DOLLARS & 00/100  
Dollars (\$ 2,021,400.00 ), in immediately available coin or currency of the United States of America. ☒ Borrower shall pay a prepayment penalty as set forth in the Prepayment Penalty Addendum attached hereto.

Interest shall accrue from the date hereof on the unpaid balance outstanding from time to time at the:

- ☐ Fixed rate of \_\_\_\_\_ % per annum.
- ☒ Variable rate of the Bank's Prime Rate plus 0.400 % per annum to be adjusted \_\_\_\_\_ Daily as the Bank's Prime Rate changes. If checked here ☒ , the interest rate will not exceed a(n) ☒ fixed ☐ average maximum rate of 7.700 % or a ☐ floating maximum rate of the greater of \_\_\_\_\_ % or the Bank's Prime Rate; and the interest rate will not decrease below a fixed minimum rate of 4.650 %. If an average maximum rate is specified, a determination of any required reimbursement of interest by Bank will be made: ☐ when Note is repaid in full by Borrower ☐ annually beginning on \_\_\_\_\_
- ☐ Fixed rate of \_\_\_\_\_ % per annum through \_\_\_\_\_ which automatically converts on \_\_\_\_\_ to a variable rate equal to the Bank's Prime Rate plus \_\_\_\_\_ % per annum which shall be adjusted \_\_\_\_\_ as such Prime Rate changes.
- ☐ \_\_\_\_\_

**Principal and interest is payable as follows**

- ☐ Principal (plus any accrued interest not otherwise scheduled herein) } is due in full at maturity on \_\_\_\_\_
- ☐ Principal plus accrued interest }
- ☒ Payable in consecutive Monthly installments of ☐ Principal ☒ Principal and interest } commencing on 11/15/2005
- and continued on the same day of each calendar period thereafter, in 41 equal payments of \$ 16,335.00 , with one final payment of all remaining principal and accrued interest due on 04/08/2009.
- ☐ ChoiceLine Payment Option: 2% of outstanding balance is payable monthly commencing on \_\_\_\_\_ and continuing on the same day of each calendar period thereafter, with one final payment of all remaining principal and accrued interest due on \_\_\_\_\_
- ☒ Accrued interest is payable Monthly commencing on May 15, 2004 and continuing on the same day of each calendar period thereafter, with one final payment of all remaining interest due on October 15, 2005
- ☐ Bank reserves the right in its sole discretion to adjust the fixed payment due hereunder \_\_\_\_\_ on \_\_\_\_\_ and continuing on the same day of each calendar period thereafter, in order to maintain an amortization period of no more than \_\_\_\_\_ months from the date of this Note. Borrower understands the payment may increase if interest rates increase.
- ☐ Prior to an event of default, Borrower may borrow, repay, and reborrow hereunder pursuant to the terms of the Loan Agreement, hereinafter defined.
- ☐ \_\_\_\_\_
- ☐ Borrower hereby authorizes Bank to automatically debit from its demand, deposit, or savings account(s) with Bank, any payment(s) due under this Note on the date(s) due.

The undersigned shall pay to Bank a late fee in the amount of five percent (5%) of any installment past due for fifteen (15) or more days. When any installment payment is past due for fifteen (15) or more days, subsequent payments shall first be applied to the past due balance. In addition, the undersigned shall pay to Bank a returned payment fee if the undersigned or any other obligor hereon makes any payment at any time by check or other instrument, or by any electronic means, which is returned to Bank because of nonpayment due to nonsufficient funds.

All interest shall be computed and charged for the actual number of days elapsed on the basis of a year consisting of three hundred sixty (360) days. In the event periodic accruals of interest shall exceed any periodic fixed payment amount described above, the fixed payment amount shall be immediately increased, or additional supplemental interest payments required on the same periodic basis as specified above (increased fixed payments or supplemental payments to be determined in the Bank's sole discretion), in such amounts and at such times as shall be necessary to pay all accruals of interest for the period and all accruals of unpaid interest from previous periods. Such adjustments to the fixed payment amount or supplemental payments shall remain in effect for so long as the interest accruals shall exceed the original fixed payment amount and shall be further adjusted upward or downward to reflect changes in the variable interest rate; provided that unless elected otherwise above, the fixed payment amount shall not be reduced below the original fixed payment amount. However, Bank shall have the right, in its sole discretion, to lower the fixed payment amount below the original payment amount.

This Note is given by the undersigned in connection with the following agreements (if any) between the undersigned and the Bank:

Mortgage(s) / Deed of Trust(s) granted in favor of Bank as mortgagee / beneficiary:

- ☒ dated 04/08/2004 in the maximum principal amount of \$ 2,021,400.00  
granted by BUSH RIVER UTILITIES, INC
- ☒ dated 04/08/2004 in the maximum principal amount of \$ 2,021,400.00  
granted by MIDLANDS UTILITY, INC

ACCOUNT# / NOTE#  
9521421107 00001



**PROMISSORY NOTE SIGNATURE PAGE**

Borrower: MIDLANDS UTILITY, INC

Account Number: 9521421107

Note Amount: \$ 2,021,400.00

Note Number: 00001

Date: 04/08/2004

**Notice of Right to Copy of Appraisal:** If a 1-4 family residential dwelling is pledged as collateral for this Note, you, the undersigned, have a right a copy of the real estate appraisal report used in connection with your application for credit. If you wish to receive a copy, please notify in writing the branch office where you applied for credit. You must forward your request to the Bank no later than 90 days after the date of this Note. your request letter, please provide your name, mailing address, appraised property address, the date of this Note, and the Account and No Numbers shown on the front of this Note.

**Waiver of Appraisal Rights.** The laws of South Carolina provide that in any real estate foreclosure proceeding a defendant against whom a person judgment is taken or asked may within thirty days after the sale of the mortgaged property apply to the court for an order of appraisal. If statutory appraisal value as approved by the court would be substituted for the high bid and may decrease the amount of any deficiency owing connection with the transaction. TO THE FULLEST EXTENT PERMITTED BY LAW AND AS A MATERIAL INDUCEMENT FOR LENDER TO MAKE THE LOAN, MORTGAGOR HEREBY WAIVES AND RELINQUISHES THE STATUTORY APPRAISAL RIGHTS WHICH MEANS THE HIGH BID AT THE JUDICIAL FORECLOSURE SALE WILL BE APPLIED TO THE DEBT REGARDLESS OF ANY APPRAISED VALUE OF THE MORTGAGED PROPERTY.

IN WITNESS WHEREOF, the undersigned, on the day and year first written above, has caused this note to be executed under seal.

**If Borrower is a Corporation:**

WITNESS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MIDLANDS UTILITY, INC  
NAME OF CORPORATION  
By: [Signature] President  
By: Charles K. Barrell Vice President

WITNESS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

BUSH RIVER UTILITIES, INC.  
NAME OF CORPORATION  
By: [Signature] President  
By: Charles K. Barrell Vice President

WITNESS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

DEVELOPMENT SERVICE, INC.  
NAME OF CORPORATION  
By: [Signature] President  
By: Charles K. Barrell Vice President

**If Borrower is a Partnership, Limited Liability Company, or Limited Liability Partnership:**

WITNESS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

NAME OF PARTNERSHIP, LLC, OR LLP  
By: \_\_\_\_\_ (SEAL)  
GENERAL PARTNER OR MANAGER  
By: \_\_\_\_\_ (SEAL)  
GENERAL PARTNER OR MANAGER  
By: \_\_\_\_\_ (SEAL)  
GENERAL PARTNER OR MANAGER

WITNESS:

\_\_\_\_\_

**If Borrower is an Individual:**

\_\_\_\_\_ (SEAL)

WITNESS:

**Additional Co-makers:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ (SEAL)  
\_\_\_\_\_ (SEAL)  
\_\_\_\_\_ (SEAL)  
\_\_\_\_\_ (SEAL)

## ATTACHMENT TO BB&amp;T NOTE

Account Number: 9521421107Note Number: 00001

Attachment of BB&T Promissory Note dated 04/08/2004 in the amount of \$2,021,400.00 between Branch Banking & Trust Company of South Carolina as Bank, and MIDLANDS UTILITY, INC, BUSH RIVER UTILITIES, INC and DEVELOPMENT SERVICE, INC, as Borrower.

## I. Repayment terms of this note are as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## II. Mortgage granted in favor of Bank as beneficiary:

☒ dated 04/08/2004 in the maximum principal amount of \$ 2,021,400.00  
granted by MIDLANDS UTILITY, INC  
☒ dated 04/08/2004 in the maximum principal amount of \$ 2,021,400.00  
granted by MIDLANDS UTILITY, INC  
☒ dated 04/08/2004 in the maximum principal amount of \$ 2,021,400.00  
granted by BUSH RIVER UTILITIES INC  
☒ dated 04/08/2004 in the maximum principal amount of \$ 2,021,400.00  
granted by MIDLANDS UTILITY, INC  
☐ dated \_\_\_\_\_ in the maximum principal amount of \$ \_\_\_\_\_  
granted by \_\_\_\_\_

## III. Security Agreement(s) conveying a security interest in favor of Bank:

☒ dated 04/08/2004 given by CHARLES K PARNELL  
☒ dated 04/08/2004 given by BUSH RIVER UTILITIES, INC  
☒ dated 04/08/2004 given by MIDLANDS UTILITY, INC  
☒ dated 04/08/2004 given by CHARLES K PARNELL  
☒ dated 04/08/2004 given by KEITH G PARNELL

## IV. Additional Agreements, Assignments, Pledges or other security instruments:

☒ Assignment of Life Insurance Policy dated 04/08/2004 for policy #3423867 executed by  
CHARLES K PARNELL  
☐ \_\_\_\_\_  
☐ \_\_\_\_\_  
☐ \_\_\_\_\_  
☐ \_\_\_\_\_  
☐ \_\_\_\_\_  
☐ \_\_\_\_\_  
☐ \_\_\_\_\_  
☐ \_\_\_\_\_  
☐ \_\_\_\_\_



## PREPAYMENT FEE ADDENDUM TO PROMISSORY NOTE

THIS ADDENDUM is hereby made a part of the Promissory Note dated April 8, 2004 MIDLANDS UTILITY, INC ("Borrower") payable to the order of Branch Banking and Trust Company of South Carolina ("Bank") in the principal amount of \$ 2,021,400.00 (including all renewals, extensions, modifications and substitutions therefore, the "Note").

## CALCULATION OF PREPAYMENT FEE

Each prepayment of the principal of the Note, in whole or in part and whether voluntary, mandatory, upon acceleration or otherwise, shall be made after giving the Bank at least one day's prior notice and shall be accompanied by an additional amount deemed necessary by the Bank to compensate the Bank for any losses, costs or expenses which the Bank may incur as a result of such prepayment. If Borrower makes a prepayment without having given prior notice to the Bank, the prepayment compensation shall be payable on demand. The determination of prepayment compensation due the Bank hereunder shall be made by the Bank in good faith and shall be conclusive absent manifest error.

The prepayment schedule/formula shall be (check applicable box):

- ☒ For any principal prepayment of the Note, the Borrower shall pay 1 % of the amount of the principal prepayment if made between April 8, 2004 and April 7, 2005; 1 % of the amount of the principal prepayment if made between April 8, 2005 and April 7, 2006; 1 % of the amount of the principal prepayment if made between April 8, 2006 and April 7, 2007; 1 % of the amount of the principal prepayment if made between April 8, 2007 and April 7, 2008; 1 % of the amount of the principal prepayment if made between April 8, 2008 and April 7, 2009; N/A % of the amount of the principal prepayment if made between N/A and N/A; N/A % of the amount of the principal prepayment if made between N/A and N/A; N/A % of the amount of the principal prepayment if made between N/A and N/A; N/A % of the amount of the principal prepayment if made between N/A and N/A; N/A % of the amount of the principal prepayment if made between N/A and N/A.

- ☒ For any principal prepayment of the Note the Borrower shall pay a fixed fee of one percent (1.00%) of the amount of the principal prepayment, unless refinanced by BB&T or one of its affiliates.

If Borrower is a Corporation:

WITNESS:

MIDLANDS UTILITY, INC.

NAME OF CORPORATION

By: Charles K. Russell (SEAL)

Title President

By: Charles K. Russell (SEAL)

Title Vice President

WITNESS:

BUSH RIVER UTILITIES, INC.

NAME OF CORPORATION

By: Charles K. Russell (SEAL)

Title President

By: Charles K. Russell (SEAL)

Title Vice President

WITNESS:

DEVELOPMENT SERVICE, INC.

NAME OF CORPORATION

By: Charles K. Russell (SEAL)

Title President

By: Charles K. Russell (SEAL)

Title Vice President

